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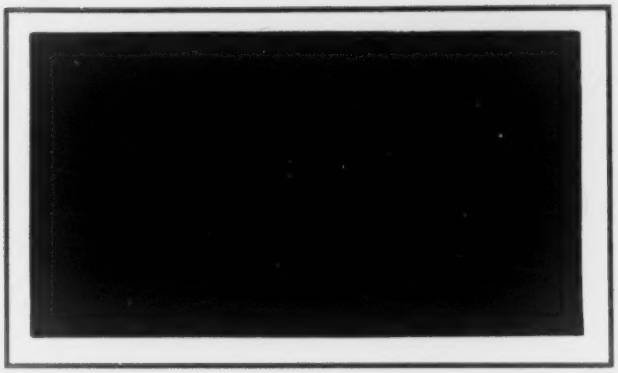

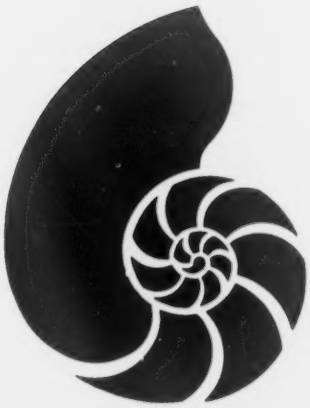

ECONOMIC FORECASTING CENTER

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MONTHLY PROJECTIONS
February 1990

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INVENTORY ADJUSTMENT NEARING COMPLETION WITHOUT A RECESSION IN SIGHT

Declining inventories are responsible for most of the economic weakness that has been recorded in the fall and early winter months. Some reduction in utility consumption following the freeze also has distorted economic data, as industrial production fell more than the auto assembly plant reductions alone would generate. However, some of this weakness is being offset by unsustainable gains in construction activity. Indeed, the housing sales for January indicate that virtually all the housing gains in that month were weather related. Sharp declines in construction should develop as weather becomes more normal. (Although the weather remained warm in February, it was unusually wet. Thus, some construction correction should be apparent in that month's statistics).

The surprising 0.2% decline in business inventories during December clearly means that inventory liquidations were well underway in other manufacturing even before the auto plants shut down for January. With auto incentives and production curtailments, auto inventories now are at sustainable levels. Thus, production should pick up in the spring. Indeed, some manufacturing inventories have become sufficient tight that industrial prices are slowing beginning to rise. The Journal of Commerce price index reached a low in late January and has since been trending slowly upward. Vendors delivery delays, which has plunged through the latter half of 1989, have now begun to rebound. Indeed, corporate profits, which have performed terribly over the past six months, should begin rebounding by the spring.

Our projections of significant inventory gains during the first quarter should be adjusted for inflation. Because of sharp price increases in petroleum product, nondurable inventories are rising sharply at this time. Also, the winter scare has caused a substantial build up of petroleum inventories. If further cold weather can be avoided, these inventories may exert downward pressures upon prices in the spring. When the inventories are appropriately adjusted, real inventory accumulations are continuing to slow. Some inventory build up then will be expected later in the spring.

Although the recessionary fears are receding, the economy is not expected to surge upward. First, housing activity will weaken with more normal weather. Despite the surge in January, housing starts probably will be no higher this year than in 1989. Second, the dollar has been rallying slightly in recent months. While this should have little impact on America's competitiveness in international markets, some foreign buyers may wait until the dollar again weakens before placing more orders for American goods. Third, durable

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goods orders have softened following an exceptionally strong fall. Now that Boeing is again shipping aircraft at normal rates, little growth in capital spending is expected for the next few months. Fourth, the consumer still shows a strong desire to raise savings. Despite higher consumption because of the availability of auto incentives, consumers have been remarkable at restraining purchases. Virtually all the price increases for energy and foods was offset by reduced purchases. Involuntary consumption of food and energy components experiencing sharp price increases was strongly resisted. Such consumer restraint is expected to continue as they rebuild their savings to more than 6%.

With little gain in export activity, capital spending, or consumer spending, the inventory adjustment should not lead to sharp gains in economic activity. Indeed, unemployment probably will drift upward. Also restraining activity is the reduction in real spending for government goods and services. Defense spending should fall more than 3% after adjustment for inflation. Many state and local governments are experiencing tight budgetary conditions that preclude any substantial spending initiatives there. Of course, weak economic growth will continue to exert restraint upon government programs.

Although the reduced concern about recession and some rebound in industrial prices explains some of the increase in interest rates, market analysts remained enamored with the thought that our interest rates are being determined by foreign pressures. In the past two months, interest rates in Japan have increased more than a percentage point, while the increase in Germany is closer to two percentage points. Our rates have increased about 0.75 percentage points during the same time.

Some of the increase in interest rates abroad is the result of rising inflationary fears there. If their rates rise by a percentage point because inflationary fears are that much higher, no change in the attractiveness of foreign bonds is created by that interest rate rise. Indeed, failure of interest rates to rise sufficiently to reflect those inflationary concerns would lead to an exodus from that country's financial instruments. Just such a flight may be developing in Japan, where the Bank of Japan has refused to raise interest rates because the stock market has become unsettled there. However, the absence of interest rate increases leads to capital flight, which clearly is reflected in currency values. As the currency falls, so does the attractiveness for Japanese stocks. Indeed, the failure to raise rates in Japan has intensified the problems in their equity markets. Further declines in Japanese security values is virtually assured.

But why are inflationary fears rising abroad? The catalyst in Japan appears to be the tight labor markets and the wage negotiations that currently are occurring. Wage gains may average more than six percent in the latest round of negotiations, as labor markets continue to tighten. Year end bonuses were a surprisingly large 8 percent, and labor leaders are asking similar gains for their basic wages. Although productivity will prevent unit labor costs from rising more than 2-3% in Japan, the rapid wage gains raise fears that the recent 3% inflation will not subside even though nearly half of it was caused by the 3% consumption tax, which is not scheduled to change further. Of course, this initial fear of wage inflation has been re-enforced by inflationary fears associated with the falling yen. Until the yen stabilizes, those fears will remain strong. The currency markets clearly are saying that further interest rate increases are needed in Japan before the yen will stabilize. (However, when the yen stabilizes, inflation probably will subside to 2%, leading to attractive real rates of return in Japan. Thus, once the yen stops falling, it probably will begin rising, with little rest in between.)

In Germany the concern is about the amount of marks that will be created to integrate the currencies of East and West Germany. At the official but unused exchange rate of one to one, the amount of marks created would be clearly inflationary. East Germans would turn in their hoards of currency for the West German mark and probably embark upon a spending spree. (The hoards were accumulated because no consumer goods were available for most East Germans). Only the creation of desirable savings instruments could forestall such a burst of activity. Furthermore, any more realistic conversion rate, such as 4 or 5 to one would impoverish the East German pensioners. Thus, they will be integrated into the West German system, requiring substantial budgetary deficits. With both fiscal and monetary stimulus, inflation is inevitable.

Of course, the Germans are not expected to tolerate inflation long. Therefore, tight monetary policy and liberal budgetary spending should combine to send real interest rates higher. This fear of a liquidity squeeze has caused interest rates to soar in Germany. However, the high interest rates should strengthen

the mark, leading to substantial currency gains for those owning German assets. Thus, the stock market and the mark have not stumbled as badly as the bond market. Eventually, German bonds will be attractive, but only after unification has been completed. At that time, the mark could soar even as interest rates again come down in Germany. At this time, however, too much uncertainty surrounds the unification question to attract foreign investments to the German bond market. If no one wants to buy German bonds, how can their higher rates exert upward pressures upon rates in the United States?

Eventually, the German bonds will become attractive, but probably at higher interest rates than currently prevail. At that time, the dollar will fall in value and interest rates will be pressured upward in the United States, but that time will not arrive until after the mark begins appreciating in value. Such a condition has not yet developed.

Monthly Statistical Highlights

	FEB 1989	MARCH 1990	APRIL 199
Payroll Employment	+177,000	+146,000	+114,000
Index of Hours Worked	-0.3%	+0.2%	+0.1%
Household Employment	+224,000	+102,000	+97,000
Civilian Unemployment Rate	5.4%	5.4%	5.5%
Personal Income	+0.4%	+0.6%	+0.6%
Savings Rate	6.2%	6.4%	6.0%
Personal Consumption	+0.2%	+0.4%	+0.6%
Retail Sales	-0.2%	+0.1%	+0.6%
Auto Sales	9.7*	8.9*	9.2*
Housing Starts	-15.5%	-1.5%	-1.7%
Housing Permits	-29.8%	1.6%	-2.0%
Construction Expenditures	-1.3%	+0.5%	-1.4%
Business Inventories	+0.3%	+0.5%	+0.6%
Orders for Durable Goods	+4.4%	-0.3%	-0.3%
Orders - Nondefense Capital Goods	+4.5%	-0.8%	-2.1%
Industrial Production	+0.7%	+0.2%	+0.2%
CPI	+0.4%	+0.3%	+0.3%
PPI	+0.1%	-0.1%	+0.2%
Consumption Deflator	+0.1%	+0.3%	+0.3%
Leading Indicators	-0.2%	-0.2%	+0.2%
Currency Index	-0.1%	+0.6%	+1.0%
Equity Index	-3.3%	+1.5%	+0.9%
Real GNP (annual rate)	0.0%	+2.9%	+1.7%
M1 (annual rate)	+8.1%	+3.3%	+6.0%
M2 (annual rate)	+8.4%	+5.7%	+5.6%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Recent employment reports have raised several mysteries. First, the household estimates of employment have increased much more slowly than payroll estimates. Although multiple job holdings are growing rapidly, This discrepancy may reflect overestimates of payroll gains, which will be adjusted downward when the benchmark revisions are completed. Second, after several years of little change, the average workweek in the total economy appears to be deteriorating sharply while the workweek in manufacturing remains strong. Increasing use of temporary employees may account for this. Of course, the most favorable condition has been a slowing in the hourly earnings index in recent quarters. Although the minimum wage legislation is expected to exert some upward pressures upon hourly earnings later this year, rising unemployment should prevent any serious increase in wage induced inflation.

February's employment report is expected to show offsetting patterns, as construction declines and retail shows little change at the same time as manufacturing spurts because some of those 100,000 laid off auto workers return to work. Construction could fall further in March, causing sluggish employment growth for the next few months.

PERSONAL INCOME AND OUTLAYS-Several unusual factors were offsetting in the January personal income report. Annual federal wage increases added $3.5 billion to government wage gains. Social security adjustments for a 4.7% cost of living gain added $14.7 billion, while rising social security taxes took out $8 billion. Excluding these factors, personal income would have increased $10 billion less.

On the outlay side, a rebound in auto sales was offset by reductions in consumer services because unusually light utility purchases were required following substantial purchases in December. However, consumers were surprisingly restrained in their purchases of nondurables as prices rose. Indeed, they behaved as if the price elasticities for food and energy were nearly 1, rather than the short-run 0.4-0.5 that most models expect. As prices decline, real purchases of nondurables should rebound. Because of this consumer restraint in the face of rising prices, savings rose above 6% during the winter quarter. Normally, a freeze leads to involuntary consumption that reduces savings.

The slowing in wage and salary earnings during the winter quarter is largely the absence of bonus payments in the auto industry that distorted wage receipts during the fourth quarter. Also, personal income has benefitted from a rebound in rental income following the hurricane and earthquake of the third and fourth quarters.

CONSTRUCTION-Weather undoubtedly improved construction activity in January. However, the housing starts were not supported by increased sales, as single family sales plunged 7.1%. Moreover, some of the multi-family activity was motivated by an attempt to avoid a handicap access requirement that will add costs to rental units. The surge in permits certainly was caused by that change in requirements. Excluding weather factors, construction is not strong. A reversal of the winter surge is expected in the spring. Also, the public construction area should fall now that highway rebuilding following the catastrophes has been completed. The surge in nonresidential construction was in commercial and industrial properties. Perhaps, the ability to do foundations in January distorted these areas as well, for the demand for such properties should not yet be improving.

BUSINESS ACTIVITY-Most of the plunge in durable goods in January was the result of reduced aircraft orders and lower shipments and orders of automobiles. The autos will rebound in the next few months. The backlog of aircraft orders is substantial and should not be viewed as a problem sector. However, a sharp drop in orders for communications equipment may be more meaningful. This might mean that activity could be more restrained than initially expected. Although the recovery from the Boeing strike clearly is in the shipments for nondefense capital goods, no substantial growth in capital goods activity is expected in the next twelve months. Our analysis shows that backlogs will grow, but more slowly than in the past.

The surge in inventories really reflects price changes rather than increases in the volume of goods available. Excluding prices, inventories should increase about the same in the next twelve months as they did in the previous twelve months. However, inventories have been restrained in recent months and should strengthen later in the year.

The one area of decided weakness is defense, where shipments should fall in current dollars. Thus, real defense activity probably will be off between three and four percent.

PRICES-Many analysts apparently have not yet determined the magnitude of price increases for the first quarter. Our estimates show that the GNP deflator should rise sharply because of gains in prices of consumer nondurables and petroleum inventories that will not be offset by price moderation for construction goods. However, most of these price gains are expected to be reversed during the spring. As a result, inflation should remain about the same during the next twelve months as it was in the previous twelve.

MISCELLANEOUS-The leading indicators were biased upward in January because of the surge in building permits, which added 0.6 percent to the index. This should be reversed next month. Indeed, a sharp decline in the indicators is not out of the question for February, although a rebound in orders probably will forestall any serious decline. On average, the indicators continue a slow upward path, which is not consistent with the onslaught of recession. Neither does it suggest a surge of activity ahead.

The trade balances were surprisingly favorable in December, as oil prices and volumes had not yet jumped. Balances should deteriorate significantly in January and February because of these changes. Despite a strong dollar, the trade balances have continued to improve. Exports have provided most of the gains, although some displacement of manufacturing imports has occurred in recent months. Perhaps the saying that American producers have regained competitiveness in all markets except those in the United States will soon become untrue.

FINANCIAL MARKETS

In December and early January a case could be made that rising interest rates abroad were forcing up rates in the United States, for the dollar was falling substantially in value. However, the dollar has since regained its footing and is now expected to rally slightly against other currencies in the next few months. Therefore, foreign investors would prefer American bonds, unless interest rates were lower than in the countries were currency values are weakening. Thus, Europeans may now be encouraged to seek assets at home, because their rates are higher than ours. However, the Japanese must still come to our markets. To do otherwise is to substantially reduce dollar adjusted investment returns. Indeed, as the Japanese markets became unsettled late in February, evidence of their presence in our markets appeared.

If our projections are correct, foreign investors will continue to seek American assets through the second quarter and then abandon us during the summer. The may dribble back late in the year.

Fortunately, government borrowing should diminish modestly as the year progresses. Although President Bush cannot achieve a $64 billion deficit, the $110 billion he does accomplish will be substantially better than the $150s that have prevailed during the past three years. Thus, government borrowing should become a decreasing burden upon the credit markets.

The household sector already has increased savings sharply and is not expected to continue doing so. However, housing should remain weak until mortgage rates, which currently are trending upward, begin declining. This may occur during the second half of the year, but household sources and uses of funds will lead to reduced credit market pressures.

During the first quarter corporations were suffering a profits squeeze and had to finance rising petroleum inventories at the same time. They generated substantial credit market pressures. Now that petroleum inventories have improved, this drain upon corporate cash flow should subside. Therefore, interest rate pressures should ease in the spring. However, corporate borrowing could again surface late this year as additional capital expenditures are required. Thus, interest rate pressures should subside through the spring before intensifying again late this year.

The Federal Reserve is expected to ease interest rates in light of a stronger dollar and reduced inflationary pressures in the spring. When the dollar weakens following these actions, no further Federal Reserve ease is expected. Some tightening may appear before year-end as moderate growth rates may add to some inflationary pressures while the dollar is falling in value.

EQUITY MARKETS-The three factors most important in changing equity values are shown in the miscellaneous table next to the New York composite index. As the modest price increases for equity values show, if interest rates fall sufficiently, deterioration in corporate profits and the reduced attractiveness of American assets by foreigners as reflected in the currency index can be offset. In fact, the market probably did not fully discount the profits erosion, as corporate announcements continue to show that profits were worse than expected by analysts. Recent stock market weakness can be explained by the dollar's loss of value, further projected profit erosion, and a sharp increase in interest rates. However, just as all the indicators were unfavorable for equity values in the winter, they all should be favorable in the spring. Therefore, a modest stock market rally could challenge the January market highs before the end of spring. However, before the market can rise too far, foreign investors are expected to lose interest. Then interest rates are expected to rise. While forces will remain mixed, precluding any substantial change in stock market values, a decided downward tilt in equity values is expected to reappear by mid-summer.

In this environment of churning values, selection remains important. Utility issues are recommended until summer. Some regional financial institutions that are not embroiled in real estate problems should also do well. By spring, the technology stocks are expected to emerge as market leaders, although some cyclical issues also may do well once the recessionary fears subside. However, those cyclicals, unlike the technology stocks, should be shed in the spring rally. Caution then is expected later in the year, as the Dow Jones probably trades within a range between 2400 and 2800. The market is expected to be on the lower end of that range by year-end.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	PROJ.	% change
October	109171		129.2		117585		5.3	9.78	
November	109452	1.8	129.1	0.5	117836	1.0	5.3	9.78	3.8
December	109548		128.8		117888		5.3	9.83	
January 1990	109823		129.6		117863		5.3	9.84	
February	110000*	2.2	129.2*	1.1	118087*	0.9	5.4	9.89*	3.7
March	110146		129.4		118189		5.4	9.93	
April	110260		129.5		118286		5.5	9.97	
May	110458	1.7	129.7	0.9	118481	1.5	5.5	10.01	4.2
June	110647		129.9		118663		5.5	10.04	
July	110761		130.0		118755		5.6	10.07	
August	110827	1.5	130.0	1.0	118982	1.5	5.5	10.11	4.1
September	110988		130.1		119010		5.6	10.14	
October	111178		130.3		119204		5.6	10.17	
November	111301	1.6	130.5	1.4	119343	1.4	5.6	10.21	4.2
December	111452		130.7		119467		5.7	10.25	
January 1991	111613		130.9		119698		5.6	10.28	
February	111794	1.8	131.0	1.5	119815	1.7	5.6	10.32	4.2
March	112003		131.1		120019		5.6	10.35	
Change Mar(91)/Mar(90)		1.7		1.3		1.5			4.2
Change Mar(90)/Mar(89)		2.1		1.4		1.0			3.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	4.502		2.693		209.1		3.841		3.632	
November	4.544	7.5	2.695	7.0	234.2	59.3	3.881	7.2	3.647	4.8
December	4.567		2.712		214.3		3.898		3.684	
January 1990	4.603		2.728		231.5		3.935		3.703	
February	4.621*	7.9	2.735*	5.7	245.6*	54.5	3.956*	9.0	3.710*	6.6
March	4.649		2.751		256.0		3.982		3.726	
April	4.675		2.766		239.8		3.988		3.748	
May	4.703	6.9	2.782	6.5	257.4	15.0	4.028	6.7	3.771	6.2
June	4.729		2.797		262.0		4.050		3.788	
July	4.751		2.809		261.9		4.068		3.806	
August	4.774	6.2	2.822	5.9	248.7	1.9	4.087	6.6	3.838	6.9
September	4.796		2.834		252.1		4.104		3.852	
October	4.822		2.849		260.0		4.126		3.866	
November	4.850	6.6	2.866	6.5	258.3	7.1	4.150	6.4	3.892	6.3
December	4.878		2.884		257.6		4.174		3.916	
January 1991	4.905		2.900		265.8		4.203		3.937	
February	4.929	6.6	2.914	6.7	267.4	13.9	4.227	7.5	3.960	7.1
March	4.951		2.926		268.4		4.246		3.978	
Change Mar(91)/Mar(90)		6.5		6.3		4.8		6.6		6.8
Change Mar(90)/Mar(89)		6.6		6.7		10.4		6.8		6.6

PROJ. includes current information until the * and then projections by month thereafter.
% change is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	3528.1		470.4		1135.2		1922.6		2684.2	
November	3541.6	4.8	467.9	-13.2	1140.4	4.1	1933.3	10.3	2685.0	0.4
December	3578.3		469.1		1152.8		1956.4		2708.7	
January 1990	3598.2		493.4		1155.3		1949.6		2696.0	
February	3605.1*	6.8	484.0*	15.7	1158.6*	5.7	1962.5*	5.3	2695.6*	0.7
March	3620.2		482.4		1162.0		1975.8		2700.1	
April	3641.7		485.9		1167.4		1988.4		2708.0	
May	3663.6	6.1	489.8	1.8	1172.1	4.6	2001.7	8.2	2716.6	2.6
June	3680.7		490.6		1175.6		2014.5		2719.9	
July	3698.5		490.7		1180.2		2027.6		2723.3	
August	3730.3	7.0	503.5	8.1	1185.9	4.6	2040.9	8.1	2739.7	2.9
September	3743.4		500.8		1188.8		2053.8		2740.7	
October	3757.1		495.1		1194.9		2067.1		2738.2	
November	3782.3	6.4	501.0	2.2	1200.4	5.3	2080.9	8.0	2746.9	1.8
December	3806.5		507.0		1206.1		2093.4		2755.0	
January 1991	3826.9		509.1		1211.9		2105.9		2760.1	
February	3848.9	7.1	515.0	9.9	1216.1	5.4	2117.8	7.4	2766.1	2.6
March	3866.2		515.0		1221.0		2130.2		2767.2	
Change Mar(91)/Mar(90)		6.8		6.8		5.1		7.8		2.5
Change Mar(90)/Mar(89)		6.7		4.5		5.4		8.0		2.3

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	143.43		22.81		8.8		89.45		31.17	
November	144.39	-1.7	22.98	-2.4	8.5	-56.7	90.32	5.5	31.09	-19.0
December	144.06		22.63		8.9		91.13		30.29	
January 1990	146.39		23.08		10.2		91.39		31.92	
February	146.17*	6.6	22.95*	3.5	9.7*	46.0	91.66*	6.2	31.56*	10.2
March	146.25		22.98		8.9		91.93		31.34	
April	147.08		23.05		9.2		92.36		31.67	
May	147.89	4.1	23.02	1.3	9.5	-9.4	92.73	4.6	32.14	4.6
June	148.26		23.17		9.4		93.01		32.08	
July	148.63		23.30		9.3		93.37		31.96	
August	150.52	5.9	23.34	4.9	10.6	31.7	93.82	4.6	33.36	10.4
September	150.45		23.43		10.2		94.05		32.97	
October	150.28		23.52		8.9		94.53		32.23	
November	151.39	4.1	23.64	5.0	9.3	-27.2	94.97	5.3	32.78	0.2
December	152.51		23.77		9.6		95.42		33.32	
January 1991	153.21		23.74		9.9		95.88		33.59	
February	154.21	7.1	23.86	3.5	10.2	39.3	96.21	5.4	34.14	14.8
March	154.60		23.95		10.1		96.60		34.05	
Change Mar(91)/Mar(90)		5.7		4.2		13.5		5.1		8.6
Change Mar(90)/Mar(89)		4.9		4.0		-8.2		6.1		1.8

PROJ. includes current information until the * and the projections by month thereafter.
% change is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	1.424		1.023		0.400		1.356	
November	1.347	1.2	1.010	-5.6	0.337	22.8	1.342	11.3
December	1.254		0.911		0.343		1.376	
January 1990	1.625		1.137		0.488		1.743	
February	1.373*	36.4	1.052*	38.7	0.321*	30.8	1.223*	13.8
March	1.352		1.006		0.346		1.242	
April	1.329		0.985		0.344		1.217	
May	1.351	-25.8	0.996	-23.7	0.355	-31.4	1.244	-39.6
June	1.357		1.005		0.352		1.249	
July	1.371		1.014		0.357		1.266	
August	1.384	9.6	1.018	8.4	0.366	13.2	1.271	12.0
September	1.376		1.015		0.361		1.280	
October	1.369		1.016		0.353		1.275	
November	1.351	-5.3	1.007	-2.0	0.344	-14.3	1.263	-2.0
December	1.355		1.009		0.346		1.260	
January 1991	1.338		0.993		0.345		1.245	
February	1.348	-1.9	0.981	-8.9	0.367	20.6	1.256	-2.3
March	1.369		0.988		0.381		1.275	
Change Mar(91)/Mar(90)		1.3		-1.8		10.1		2.7
Change Mar(90)/Mar(89)		-4.0		2.5		-14.7		1.0

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	136.7		84.8		193.1		414.6		343.9	
November	136.9	-2.7	88.9	28.0	191.1	-5.4	416.9	1.7	344.8	-0.4
December	131.5		94.9		190.2		416.6		345.2	
January 1990	137.3		90.9		195.8		424.0		351.3	
February	136.2*	4.1	87.2*	-5.7	195.3*	10.3	418.7*	5.0	346.3*	4.4
March	135.7		87.5		197.5		420.7		347.4	
April	135.5		87.6		191.9		415.0		341.8	
May	135.9	-1.4	87.9	-0.9	191.1	-9.2	414.9	-5.2	341.5	-7.2
June	136.4		88.6		191.6		416.6		342.3	
July	136.7		89.1		195.4		421.2		345.2	
August	137.2	3.8	89.3	6.4	196.1	10.6	422.6	7.4	345.5	4.6
September	137.7		89.8		197.7		425.2		346.5	
October	137.3		89.1		198.4		424.8		345.6	
November	137.8	1.7	90.5	3.6	197.7	3.1	426.0	2.7	346.1	0.2
December	138.2		91.0		197.6		426.8		345.9	
January 1991	138.5		91.6		197.6		427.7		345.8	
February	139.4	4.2	92.0	7.1	198.8	1.6	430.2	3.6	347.2	1.2
March	139.7		91.7		199.6		431.0		347.6	
Change Mar(91)/Mar(90)		2.9		4.8		1.1		2.4		0.1
Change Mar(90)/Mar(89)		-0.2		11.2		-2.3		0.9		0.4

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	371.7		124.26		35.98		34.17	
November	372.8	1.0	130.18	13.9	38.90	5.5	34.12	-10.3
December	371.5		131.95		44.43		35.00	
January 1990	374.4*		118.16		38.32		35.47	
February	376.2	4.7	123.36*	-20.8	40.03*	-4.1	35.76*	16.7
March	378.3		122.95		39.71		36.13	
April	380.0		122.53		38.86		36.23	
May	381.4	5.6	122.76	2.0	38.73	-8.1	36.49	6.4
June	383.0		120.97		37.99		36.32	
July	384.9		121.48		38.22		36.48	
August	386.2	5.2	122.65	1.2	38.54	1.2	36.65	3.8
September	388.0		123.21		39.16		36.92	
October	390.3		123.46		39.12		36.98	
November	392.1	6.2	123.84	4.9	39.41	8.7	37.03	5.6
December	394.2		124.47		39.84		37.56	
January 1991	396.0		125.16		40.03		37.78	
February	397.8	5.9	125.43	5.1	40.22	7.6	37.94	8.9
March	399.7		125.81		40.32		38.26	
Change Mar(91)/Mar(90)		5.7		2.3		1.5		5.9
Change Mar(90)/Mar(89)		4.8		-1.9		4.1		6.0

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	793.2		8.25		141.8		83.1	
November	797.0	2.9	8.75	7.3	142.2	-0.2	83.1	-2.7
December	795.2		9.83		142.5		83.1	
January 1990	797.6*		8.55		140.9		81.9	
February	800.2	2.9	8.81*	-9.6	141.9*	-1.4	82.3*	-4.4
March	804.5		8.80		142.2		82.3	
April	809.1		8.74		142.5		82.4	
May	813.0	6.3	8.83	5.3	142.7	3.0	82.3	0.8
June	817.3		8.93		143.0		82.3	
July	821.5		8.66		143.1		82.1	
August	824.4	5.9	8.87	2.9	142.9	0.7	81.7	-2.3
September	828.6		9.16		143.0		81.5	
October	833.3		8.44		143.4		81.6	
November	837.2	6.2	8.67	-5.4	143.7	2.0	81.6	-0.8
December	841.7		9.21		144.0		81.6	
January 1991	845.8		8.79		144.2		81.6	
February	849.7	6.0	8.85	0.8	144.3	1.6	81.4	-1.1
March	853.5		8.73		144.3		81.1	
Change Mar(91)/Mar(90)		6.1		-0.8		1.5		-1.5
Change Mar(90)/Mar(89)		5.1		4.2		1.1		-1.8

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	125.3		114.6		112.4		127.6	
November	125.8	3.9	114.5	4.4	112.2	1.7	127.9	3.2
December	126.2		115.3		112.3		128.2	
January 1990	127.7		117.2		114.2		129.4	
February	128.2*	7.9	117.3*	8.8	113.5*	5.5	129.7	5.7
March	128.6		117.2		113.7		130.0	
April	129.0		117.4		114.0		130.4	
May	129.4	3.9	117.6	1.3	114.4	2.1	130.7	3.3
June	129.8		117.8		114.8		131.2	
July	130.3		118.2		115.3		131.6	
August	130.7	4.1	118.2	2.4	115.0	2.6	132.0	3.8
September	131.1		118.5		115.1		132.4	
October	131.6		119.0		116.0		133.0	
November	132.1	4.4	119.4	3.8	116.4	4.4	133.4	4.4
December	132.6		119.8		116.7		133.9	
January 1991	133.2		120.4		117.3		134.4	
February	133.6	4.8	120.7	4.9	117.5	4.4	134.8	4.3
March	134.2		121.4		118.1		135.3	
Change Mar(91)/Mar(90)		4.4		3.6		3.9		4.1
Change Mar(90)/Mar(89)		5.2		4.5		2.9		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	131.4		111.3		123.8		143.0		120.6	
November	131.9	3.9	111.8	1.2	124.2	3.7	143.4	4.5	120.9	2.1
December	132.1		112.0		124.0		143.8		120.7	
January 1990	133.5		112.6		126.9		144.6		120.7	
February	133.7*	6.1	112.3*	2.8	126.9*	9.5	145.2*	5.2	120.9*	0.6
March	134.1		112.5		126.7		145.9		121.1	
April	134.5		112.8		126.9		146.5		121.4	
May	134.9	3.4	113.0	1.8	127.2	1.3	147.0	5.1	121.5	2.1
June	135.3		113.1		127.6		147.6		121.7	
July	135.8		113.3		128.0		148.2		122.0	
August	136.2	3.9	113.5	1.2	128.4	3.8	148.7	4.7	122.3	2.7
September	136.6		113.1		128.9		149.3		122.7	
October	137.2		113.8		129.3		149.9		122.9	
November	137.7	4.5	114.0	2.5	129.8	4.3	150.5	4.8	123.1	2.6
December	138.2		114.2		130.3		151.1		123.4	
January 1991	138.7		114.5		130.7		151.7		123.7	
February	139.1	4.3	114.8	2.7	131.2	4.4	152.3	5.0	123.9	2.4
March	139.7		115.0		131.7		153.0		124.0	
Change Mar(91)/Mar(90)		4.2		2.2		3.9		4.9		2.4
Change Mar(90)/Mar(89)		4.3		1.6		4.7		4.6		0.5

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.
October	-10.25		144.4		5317		4167		- 7.3
November	-10.29	-13.4	144.5	0.3	5337	4.4	4173	0.9	- 8.9
December	-7.17		145.3		5358		4179		-11.2
January 1990	-9.17*		145.3		5402		4175		-21.3
February	-9.46	-5.1	145.0*	0.8	5415	6.3	4175	0.5	-23.1
March	-9.43		144.8		5441		4185		-20.4
April	-8.78		145.0		5465		4191		-15.5
May	-8.93	15.2	145.2	0.6	5489	5.4	4200	2.0	-11.7
June	-9.22		145.5		5518		4206		-12.7
July	-9.26		145.1		5543		4212		-12.8
August	-9.23	-6.2	145.3	0.6	5570	6.1	4220	2.1	-14.6
September	-8.85		145.9		5603		4232		-15.2
October	-8.85		146.1		5631		4234		-18.9
November	-9.23	7.3	146.6	2.4	5658	6.7	4241	2.2	-22.3
December	-8.75		146.2		5701		4258		-22.6
January 1991	-8.94		146.0		5723		4258		-21.5
February	-8.43	18.7	146.3	-0.6	5756	6.5	4270	2.1	-21.9
March	-8.11		145.9		5779		4271		-22.6
Change Mar(91)/Mar(90)		14.0		0.8		6.2		2.1	
Change Mar(90)/Mar(89)		0.6		0.1		5.9		1.7	

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	98.92		158.5		8.00		192.49	
November	97.99	-10.3	160.2	-20.0	7.90	-13.2	188.50	1.8
December	94.88		158.6		7.90		192.67	
January 1990	93.00		152.7		8.26		187.96	
February	92.88*	-16.0	152.6	-10.2	8.52*	27.9	181.76*	-12.9
March	93.47		159.3		8.53		184.46	
April	94.42		158.5		8.41		186.15	
May	94.43	3.8	160.7	9.7	8.26	-8.7	192.16	10.8
June	93.15		156.3		8.07		190.30	
July	91.76		155.8		8.11		187.75	
August	90.88	-11.4	158.3	1.7	8.13	-4.8	187.32	-3.3
September	90.93		163.4		8.20		188.82	
October	90.21		159.2		8.36		183.09	
November	91.83	-0.8	165.3	15.2	8.43	14.8	184.68	-10.9
December	90.97		170.2		8.51		180.13	
January 1991	88.87		165.3		8.58		177.52	
February	90.21	-3.4	171.6	7.4	8.72	11.5	177.24	-10.2
March	91.56		166.7		8.70		178.57	
Change Mar(91)/Mar(90)		-2.0		2.9		2.0		-3.2
Change Mar(90)/Mar(89)		-3.6		-20.3		-7.0		12.1

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	293.2		788.1		3181.5		8.84		7.62	
November	293.7	4.0	789.4	5.2	3200.8	7.3	8.55	-19.1	7.49	-9.4
December	295.5		794.8		3222.2		8.45		7.42	
January 1990	301.3		794.9		3233.5		8.23		7.55	
February	301.0*	10.1	800.1*	4.3	3255.4*	6.6	8.22*	-16.6	7.63*	3.4
March	301.6		802.3		3270.6		8.24		7.54	
April	302.5		806.2		3285.5		8.13		7.36	
May	303.6	3.2	810.0	5.6	3304.2	6.4	8.02	-9.2	7.21	-16.8
June	304.9		814.1		3323.0		7.95		7.13	
July	306.2		817.6		3338.6		7.81		7.03	
August	307.8	5.5	821.8	5.8	3354.7	6.2	7.78	-10.8	7.01	-10.3
September	309.3		825.2		3370.5		7.83		7.08	
October	310.5		827.4		3386.4		7.99		7.15	
November	311.8	5.4	830.9	4.6	3402.4	5.8	8.17	18.0	7.38	19.5
December	313.3		834.3		3418.5		8.25		7.55	
January 1991	314.5		837.2		3431.2		8.32		7.63	
February	315.9	5.2	840.9	4.8	3447.4	5.3	8.49	16.1	7.74	21.5
March	317.1		843.8		3460.2		8.53		7.81	
Change Mar(91)/Mar(90)		5.1		5.2		5.8		3.5		3.6
Change Mar(90)/Mar(89)		4.2		2.1		6.0		-16.3		-14.8

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
October	8.92		7.22		8.53		8.60		10.50	
November	8.89	-3.5	7.14	1.1	8.35	-11.5	8.39	-12.6	10.50	-5.9
December	8.86		6.98		8.29		8.32		10.50	
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.23*	12.4	7.18*	2.7	8.15*	-9.6	8.20*	-11.5	10.00*	-16.5
March	9.24		7.20		8.19		8.25		10.00	
April	9.13		7.11		8.05		8.16		10.00	
May	9.01	-6.5	7.00	-9.0	7.96	-9.9	8.08	-5.1	10.00	-2.9
June	8.86		6.87		7.90		7.99		9.89	
July	8.93		6.92		7.76		7.85		9.50	
August	8.97	-0.7	6.98	-0.4	7.81	-7.3	7.89	-8.3	9.50	-17.3
September	9.05		7.06		7.89		7.97		9.50	
October	9.14		7.15		8.04		8.12		9.93	
November	9.23	12.1	7.24	16.2	8.16	18.6	8.21	18.0	10.00	21.6
December	9.36		7.37		8.28		8.38		10.00	
January 1991	9.44		7.45		8.37		8.44		10.33	
February	9.57	13.5	7.53	16.2	8.55	18.7	8.63	18.7	10.50	20.1
March	9.61		7.61		8.63		8.72		10.50	
Change Mar(91)/Mar(90)		4.0		5.7		5.4		5.7		5.0
Change Mar(90)/Mar(89)		-5.7		-5.1		-17.7		-18.2		-13.0

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